

**National Conference of State Legislatures
Council of State Governments
National Association of Counties
U.S. Conference of Mayors
National League of Cities
International City/County Management Association**

April 29, 2005

The President's Advisory Panel on Federal Tax Reform
1440 New York Avenue NW
Suite 2100
Washington, DC 20220

Dear Chairman Mack, Vice Chairman Breaux, and members of the panel,

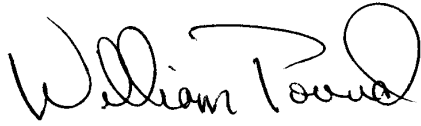
On behalf of our nation's state and local governments, we thank you for the opportunity to present our views on federal tax reform. As you know, the fiscal systems of federal, state and local governments are inextricably linked. Any significant change at the federal level can be expected to have major fiscal and administrative consequences at the state and local level.

As you consider proposals to reform the federal tax system, we urge you to seriously consider the potential impact of federal tax reform on the intergovernmental system and ensure the protection of state and local taxing authority and the viability of state and local tax systems. Federal tax reforms should strengthen, not weaken, states and local governments' capacity to finance and administer programs they have traditionally been responsible for or have gained with devolution. In addition, we believe federal tax reform should:

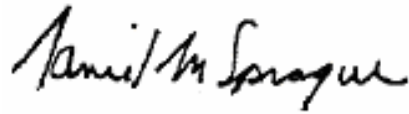
- Protect the deductibility of state and local taxes;
- Avoid preemption of state and local tax authority;
- Preserve the tax-exempt status of state and local debt instruments and simplify tax-exempt bond financing; and
- Apply any federal tax change prospectively and ensure adequate transition time—3 to 5 years may generally be necessary—for state and local governments to adapt to any changes in the federal tax code.

We appreciate the opportunity to communicate our concerns to the panel and would be happy to provide any additional explanation or assistance that you feel would be helpful.

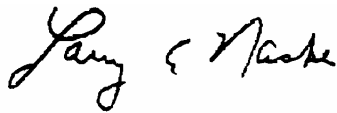
Respectfully,



William T. Pound, Executive Director
National Conference of State Legislatures



Daniel M. Sprague, Executive Director
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Larry E. Naake, Executive Director
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J. Thomas Cochran, Executive Director
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